

## MEDIA STATEMENT

# Study shows pivotal role of BAT South Africa's factory in the Lesedi Municipality

## R3.2 billion contribution to local economy, 3,854 jobs supported in a district facing 43% unemployment

**Tuesday, 21 November 2023** — A new study by Oxford Economics highlights the value at stake for South Africa, and specifically the Lesedi district in Gauteng, as the illicit tobacco trade overwhelms the country's law enforcement agencies while the government readies legislation that will put the legal industry at risk.

BAT South Africa's (BATSA's) factory in Heidelberg plays an anchor role in the local economy of the Lesedi district, contributing R3.2 billion to its GDP last year, R42.2 million to municipal revenue and supporting a total of 3,854 jobs in an area with 43% unemployment, according to the Oxford Economics socio-economic impact assessment.

"The factory contributed a total gross value added of R14.9bn to South Africa's overall GDP in 2022 and supported 35,234 jobs and R12.6bn in total tax revenue, representing 23.5% of all excise duties on alcohol, fuel and tobacco," explained Johnny Moloto, Area Head of External Affairs at BAT Sub-Saharan Africa.

"For every direct job at BATSA's Heidelberg factory, this research shows that another 92 jobs are supported somewhere else in the South African economy. Importantly, given devastating levels of unemployment in the Lesedi district, employees at the factory support on average three dependents, and earn more than twice the average national wage," said Moloto.

### Factory under threat as illicit trade explodes

The Oxford Economics study comes against the background of exponential growth in the illicit tobacco trade following the unconstitutional five-month Covid-19 tobacco sales ban in 2020, which forced the legal industry to completely close shop while illicit cigarettes flooded the market.

The legal industry has suffered an enduring impact from the ban. "In 2019, BAT South Africa permanently employed around 1,800 highly qualified staff across its South African operations. Since 2020, the company has been forced to retrench more than 30% of our workforce. We were forced to embark on a restructuring process in January this year, which saw us reduce our workforce by around 200 jobs this year alone," said Moloto.

"We estimate that the illegal cigarette trade in South Africa is now as much as up to 70% of the total market. Based on what we see in the market, we also know that cigarette consumption has not gone down."

“The impact of the illicit tobacco trade is not just on BATSA’s bottom line or government tax revenue. The hardest hit are factory workers, farmers, tobacco processors and suppliers across the value chain whose livelihoods are on the line,” said Moloto.

“Considering the outsize contribution that our factory makes to the Lesedi district economy, any further losses in volume for the legal industry as a result of continued growth in illicit trade would be a hammer blow to the region.”

### Public hearings on Tobacco Bill

Public hearings on the proposed Tobacco Products and Electronic Nicotine Delivery Systems Control Bill are due to be held in Heidelberg on Friday, 24 November, followed by hearings in the West Rand and Tshwane on Saturday and Sunday respectively.

The Bill includes measures such as plain packaging and a retail display ban which will push consumers to purchase illicit products that flout the legislation, while severely restricting the legal industry and criminalising thousands of informal traders who make a living from selling tobacco products.

“The sale of loose cigarettes is common in the informal sector, and traders display their wares to attract customers,” said Moloto. “The Bill will require spaza shops and tabletop hawkers to sell their products in whole, sealed, plain packs and to conceal them from public view. Anyone with even a basic understanding of the South African market would recognise the folly of these measures.

“The Tobacco Bill is completely silent on the biggest tobacco control problem in the country – the illicit trade – while seeking to constrain a legal sector representing just 30% of total sales. The Bill will accelerate the decline of the legal industry at enormous cost to the South African economy, and especially the people of Lesedi,” Moloto said.

### Infographic: Socio-economic impact of BATSA’s Heidelberg Factory



- High-resolution infographic is available within the PDF report; download link below.

**ENDS**

## EDITOR'S NOTES

### Full report

#### ***Oxford Economics: The Socio-Economic Impact of BAT South Africa's Heidelberg Factory***

- Download the full report [here](#)

### Gauteng Parliamentary Hearings Schedule

Date	District / Local Municipality	Venue	Time
Fri, 24 Nov 2023	Lesedi Local Municipality in Heidelberg	Heidelberg Town Hall	14h30 – 19h30
Sat, 25 Nov 2023	West Rand Region	Westonaria Banquet Hall	10h00 – 15h00
Sun, 26 Nov 2023	Tshwane Region	Tshwane House Council Chamber (Pretoria Central)	10h00 – 15h00